What ACSI actually said:

ACSI has never made a decision not to compete in the local exchange services market in South Carolina, nor does the SCPSC's record contain any evidence or testimony to that effect.

ACSI's testimony is replete with examples of BellSouth actions that hinder or prevent competition from taking hold in South Carolina.[69]

In response to Vice Chairman Bradley's question "why was the decision made to put the facilities-based carrier in Georgia rather than South Carolina?", Mr. Falvey explained that "there is no golden formula as to why one market before the other . . . you have to start somewhere."[70] Continuing his exchange with Vice Chairman Bradley, Mr. Falvey acknowledged the fact that ACSI had installed switches in Georgia and Texas and has plans to install switches in Maryland and Louisiana prior to installing its South Carolina switch. However, Mr. Falvey made clear that installation of a switch in South Carolina would come "not long after" the installation of switches in Baltimore and New Orleans.[71]

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[69] *See, e.g., Falvey SCPSC Testimony*, at 332-33 (describing how BellSouth's anticompetitive pricing practices prevent ACSI from competing effectively), 333-39 (describing BellSouth's ULL provisioning problems that prevent ACSI from competing effectively), 339-42 (describing how BellSouth's failure to provide nondiscriminatory access to OSS prevents ACSI from competing effectively), 342 (describing how BellSouth's failure to provide parity in installation levels prevents ACSI from competing effectively), 342-48 (describing BellSouth's anticompetitive activities that prevent ACSI from competing effectively).

[70] *Id.*, at 356.

[71] *Id.* ACSI's South Carolina testimony emphasizes a key point: CLECs are working night and day to make local competition a reality, but it is a complex process that will take time. The latest status on ACSI's switch installation in Greenville is that the process is currently under way. Installation of the Lucent 5ESS switch is scheduled to be completed on January 19, 1998. ACSI projects that it will commence switched service on February 27, 1998.

- *What the SCPSC said:*

  "Other than vague allegations, no intervenor has provided any substantive proof that BST has taken any action to prevent or retard the development of local competition in South Carolina."[72]

  What ACSI actually said:

  Again, ACSI's testimony is replete with examples of BellSouth actions that prevent and retard the development of local competition in South Carolina.[73]

- *What the SCPSC said:*

  "Although AT&T, MCI, and others challenged BST's ability to offer the checklist items, they offered no evidence to dispute that BST has, in fact, been providing the checklist items in substantially the same time and manner as it does for its retail operations."[74]

  What ACSI actually said:

  ACSI's testimony is replete with examples of BellSouth failure to provision checklist items on a nondiscriminatory basis.[75]

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[72] *SCPSC Order*, at 20.

[73] *See supra* n.68.

[74] *SCPSC Order*, at 29.

[75] *See supra* n.68. Having overlooked such evidence, the SCPSC seems to contradict itself later in its order:

> ACSI witness Jim Falvey complained about service problems . . . [e]ven if there were actual proof in this record of inferior service by BST, this proof would be irrelevant to BST's compliance with its duty under Sections 251, 252(d) and the competitive checklist to ma[k]e functions, capabilities and services available to CLECs. No one disputes that the issue of service quality is an extremely important one; it simply has no place in this proceeding.

SCPSC Order, at 59-60. In any event, the SCPSC had before it substantial evidence of BellSouth's inability to provision checklist items at parity with its own retail service offerings — the SCPSC simply was unwilling to consider it.

Finally, in its comments, the SCPSC reiterated these erroneous conclusions:

> Even ACSI — the one company that stated it has placed facilities in South Carolina — has no intention of serving residential customers. . . . Mr. Falvey further explained in response to questioning by members of the Commission that ACSI's delays in moving to compete as a switch-based local carrier in South Carolina (which will extend at least into 1998) have been due to ACSI's business decision to allocate its resources elsewhere, not any failure of BellSouth to meet its obligations under the Act.[76]

As the foregoing review demonstrates, these conclusions have no foundation in the record or in Mr. Falvey's testimony. ACSI has never wavered from its plan to compete as a switch-based local carrier in South Carolina. Indeed, the commencement of switch-based competition in by ACSI in South Carolina is only months away.

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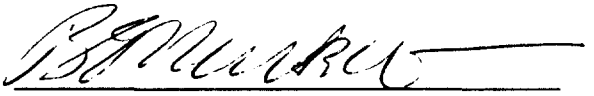
[76] *SCPSC Comments*, at 6 (citing *Falvey SCPSC Testimony*, at 325, 356-60).

Conclusion

As the foregoing discussion and the record in this docket demonstrate, BellSouth is ineligible for interLATA relief and its Application should be denied. The Commission should base its decision on the fact that BellSouth is ineligible to proceed under Track B in South Carolina. In the event that the Commission should decide to consider BellSouth's Track B Application, the Commission must deny it based on BellSouth's admitted and undeniable failure to satisfy the 14-point competitive checklist, as well as its refusal to comply with the pricing requirements of Sections 251 and 252.

Respectfully submitted,

AMERICAN COMMUNICATIONS SERVICES, INC.

By: 

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November 14, 1997
53270.41

EXHIBIT 1

BELLSOUTH TELECOMMUNICATIONS, INC.

DIRECT TESTIMONY OF ALPHONSO J. VARNER

BEFORE THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION

DOCKET NO. 97-374-C

NOVEMBER 3, 1997

Q. PLEASE STATE YOUR NAME, AND BUSINESS NAME AND ADDRESS.

A. My name is Alphonso J. Varner. I am employed by BellSouth Telecommunications, Inc. ("BellSouth") as Senior Director for State Regulatory for the nine state BellSouth region. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. PLEASE GIVE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND EXPERIENCE.

A. I graduated from Florida State University in 1972 with a Bachelor of Engineering Science degree in systems design engineering. I immediately joined Southern Bell in the division of revenues organization with the responsibility for preparation of all Florida investment separations studies for division of revenues and for reviewing interstate settlements.

Subsequently, I accepted an assignment in the rates and tariffs organization with responsibilities for administering selected rates and tariffs including preparation of tariff filings. In January 1994, I was appointed Senior Director

may designate new rates, if it desires.

CHECKLIST ITEM 4: Local loop transmission

Q. PLEASE DESCRIBE THE FACTORS USED IN DEVELOPING THE RATES FOR UNBUNDLED LOOPS.

A. There are several individual factors that are considered in developing the rates and costs for unbundled loops. To assist in putting all the factors into perspective, the following summary is provided outlining the considerations that went into the development of the loop costs and rates:

1) The types of loops for which costs and rates are provided: Eight to reflect the various negotiated and arbitrated agreements.

2) The level of geographic averaging: Rates are proposed on a statewide basis, i.e., no geographic deaveraging.

3) The type of costs to be recovered in the rates: Loop studies are provided to reflect typical TELRIC results plus an allocation of common costs as well as historical costs (to recognize some of the infirmities of a TELRIC-only approach).

4) The number of loop standards offered: Two types for 2-wire voice grade analog, described as Service Level 1 (SL1) and Service Level 2 (SL2) to reflect different CLEC requirements.

The following chart summarizes and displays the overall approach to the unbundled loop studies:

Loop Type	Service Level	Geographic Average	Price Equals Cost
2-Wire Analog	1 & 2	State	X
4-Wire Analog	2	State	X
2-Wire ISDN	2	State	X
2-Wire ADSL	2	State	X
2-Wire HDSL	2	State	X
4-Wire HDSL	2	State	X
4-Wire DS1	2	State	X
4-Wire 56 or 64 Kbps	2	State	X

Q. WILL THERE BE VARYING RATES FOR THE DIFFERENT TYPES OF LOOPS BELLSOUTH OFFERS?

A. Yes. First, as discussed earlier, BellSouth is filing loop rates to recognize the impact of historical costs in addition to the TELRIC results. Further, BellSouth has filed cost studies and is proposing rates for each of the eight unbundled loops. Each loop type has characteristics which differentiate it from the others. Following are the loop types, and associated proposed recurring rates:

Loop Type	Proposed Monthly Rate
2-Wire Analog (SL1)	$29.66
2-Wire Analog (SL2)	$33.55
4-Wire Analog	$47.25
2-Wire ISDN	$39.32
2-Wire ADSL	$29.09
2-Wire HDSL	$20.42
4-Wire HDSL	$27.90
4-Wire DS1 Digital	$79.06
4-Wire 56 or 64 Kbps	$54.11

Q. IN GENERAL, WHAT ARE SOME OF THE CHARACTERISTICS THAT CAUSE DIFFERENT LOOP TYPES TO HAVE DIFFERENT COSTS?

A. The variance in costs for different types of loops is mainly attributable to the type of facility required. For instance, a 2-wire analog loop can operate effectively with smaller gauge copper and longer loop lengths than some other facility types, because the services that ride these facilities (typically residential and some business local exchange service or Plain Old Telephone Service [POTS]) are not technically demanding. On the other hand, the facilities that are required to provide ISDN, ADSL or HDSL loops are subject to technical limitations and specifications. Such facilities require shorter loop lengths, heavier gauge copper and more manual work activity than POTS. As evidenced by these varying physical loop characteristics, the resulting costs and rates also vary.

Q. IN THE AT&T ARBITRATION CASE, BELLSOUTH RECOMMENDED THAT 4-WIRE ANALOG LOOP MONTHLY RATES BE SET AT 160% OF THE 2-WIRE ANALOG LOOP RATE. IS BELLSOUTH SUGGESTING THE SAME RELATIONSHIP IN THIS DOCKET?

A. No. BellSouth recommends that 4-wire analog loops be priced based on their own costs. The FCC has for many years recognized that there are cost differences for different types of loops and in CC Docket No. 85-166 dated January 24, 1986, the FCC set the 4-wire rate at 160% of the 2-wire rate.

BellSouth believes it is more appropriate at this time, however, to use the cost results of its study as the basis for pricing 4-wire facilities versus a proxy.

Q. WHY DO THE COST STUDIES FILED INDICATE TWO DIFFERENT RECURRING AND NONRECURRING RATES FOR THE 2-WIRE ANALOG LOOPS?

A. These studies reflect the Service Level (SL)1 and SL2 standards being provided. To reflect these differences, BellSouth has filed two different recurring and nonrecurring rates for the 2-wire analog loop indicating the different service levels required by requesting carriers. Some CLECs have concerns that the installation of a private line or special access facility typically requires special engineering, and therefore, costs more than the installation of a POTS facility. Along that line, American Communications Services, Inc. (ACSI), in a Florida proceeding, suggested a need for a "vanilla" type loop. Specifically, during cross examination in Dockets 960833-TP, 960846-TP and 960916-TP, Mr. Robert Scheye was asked the following question by ACSI's attorney, Mr. Mutschelknaus: "Would BellSouth be willing to create two separate nonrecurring prices, one for the carriers that want the simplified service, and another that want the gold plated special access offering?" Although he took exception to the term "gold plated" in his response, Mr. Scheye replied that BellSouth was willing to consider two different nonrecurring charges for two different functions.

Based on this input and the significant variations in the actual costs, BellSouth

is proposing two types of unbundled basic loops: one designed, and the other more "POTS like" and not designed. For those CLECs that require a Design Layout Record (DLR), test access points (referred to as SMAS), ground start facilities, manual order coordination and/or repair of loops provisioned with test points, BellSouth offers SL2. For CLECs not requiring those characteristics and simply wanting a nondesigned loop suitable for POTS service, SL1 is available. BellSouth could provide an Engineering Information (EI) document, similar to a DLR, for SL1 loops at an incremental charge. BellSouth, however, anticipates that CLECs in need of engineering type information will generally opt for SL2. By offering a choice of these two service levels, BellSouth believes it meets the provisioning requirements desired by requesting carriers for 2-wire analog unbundled loops. While both service level loops can be used for the provision of local exchange service, SL1 would equate more to POTS and SL2 would equate more to special access.

Q. YOUR EXHIBIT AJV-2 ALSO INDICATES THAT SL1 HAS A "MANUAL ORDER COORDINATION" OPTION AND SL1 AND SL2 ARE OFFERED WITH "ORDER COORDINATION FOR SPECIFIED CONVERSION TIME". PLEASE EXPLAIN THESE OPTIONS.

A. Standard order coordination for SL1 is "mechanized" order coordination such that a CLEC can specify one of three conversion windows (converting from BellSouth's local exchange service to a CLEC's service using an unbundled loop) for orders to be worked. For example, 10 a.m., 2 p.m. and 5 p.m. could become the three conversion windows. BellSouth's automated systems would

begin to convert all orders with that conversion time until all orders are completed. It is possible that an existing customer could be out of service for a period of 15 minutes to one hour while the orders are being worked in the systems. If the CLEC requires a "manual order conversion" where the outage period is less than 15 minutes, BellSouth will notify the CLEC of the conversion time and will perform the work within a 15 minute timeframe. This manual conversion will be performed at an incremental charge as noted on Exhibit AJV-2, item A.1.3. On the other hand, SL2 includes the manual order coordination as part of the basic service. All SL2 orders are worked where the out of service period for existing customers is less than 15 minutes.

The option "order coordination for specified conversion time" is offered on both SL1 and SL2 as well as other loop types. This option allows a CLEC to request a specific conversion time and BellSouth will make every effort to accommodate the request. Such a charge would be appropriate in an instance where the requested time was during a period when the central office involved was not manned. The charge covers the cost to provide coverage at that office to complete the cutover work. Overtime rates may also apply, if the CLEC desires a cutover time outside of normal working hours. A specified order conversion charge would only apply to the first loop on the order. Therefore, whether there is one loop or 10 loops on the order, a single charge for specified conversion time would be applied (see Exhibit AJV-2, lines A.1.4 or A.1.5).

Following is a chart that demonstrates the options available to a CLEC for a 2-wire unbundled loop provisioned as SL1 or SL2:

UNBUNDLED 2-WIRE LOOPS		
Characteristic	SL1	SL2
Basic loop capable of local service	Yes	Yes
Order coordination (with other orders)		
- Mechanized (potential for .25 to 1 hour outage)	Yes	No
- Mechanized plus manual (potential outage less than .25 hour)	Optional	Yes
- Specified Conversion Time	Optional	Optional
Test Points (SMAS)	No	Yes
Design Layout Record	No	Yes
Engineering Information	Optional	Not Necessary

Q. WHEN WOULD YOU ENVISION CLECS SELECTING SL1 AND SL2?

A. This is clearly the choice of the CLEC and some may always prefer SL2 over SL1 or vice versa. The CLEC may chose SL1 for new customers and SL2 for changes to existing customers (those converting from BellSouth). With new customers, there is no coordination of existing services and there are no number portability issues. Unless the CLEC needs the DLR and test points, SL1 would be adequate. Conversely, the CLEC might be converting an existing customer and require exacting coordination between a disconnect, number portability and the connection with the CLEC's switch. In this instance, the CLEC may prefer SL2. This is clearly not an exhaustive list of examples, but it does describe at least some possibilities. It should be emphasized, however, that the choice is always the CLEC's and not BellSouth's.

Q. WHY IS BELLSOUTH ONLY OFFERING DIFFERING SERVICE LEVELS ON THE 2-WIRE ANALOG LOOP AND NOT ON THE OTHER LOOP TYPES?

A. Very simply, 2-wire analog loops are the only loop types that can be provisioned as either nondesigned or designed, SL1 or SL2. The other loops studied by BellSouth are designed circuits in every instance due to their engineering requirements. Each loop has specifications and tolerances that must be designed through BellSouth's Trunk Integrated Record Keeping System (TIRKS). Stated differently, 2-wire analog loops are typically used to provide standard POTS service.

Q. WHICH OF THE TWO SERVICE LEVELS DESCRIBED ABOVE WILL BE USED TO TRUE-UP RATES FOR UNBUNDLED LOOPS ALREADY INSTALLED?

A. For those carriers whose agreements include a true-up mechanism or who use the SGAT, BellSouth will use the SL1 for the nonrecurring charges. By doing so, BellSouth treats all unbundled loops installed prior to the effective date as nondesigned, whether they were designed or not at the time of installation. The recurring charge will be based on whether test (SMAS) points are involved in the loops provided to the CLEC. This is not only a simple and reasonable method of handling the true-up of 2-wire analog loop charges, but the SL1 nonrecurring rate offers the maximum benefit to all carriers that have ordered

unbundled loops.

Q. IS BELLSOUTH FILING DEAVERAGED LOOP COST STUDIES?

A. No. Unbundled loop rates should not be deaveraged until such time as the Commission can fully evaluate all the implications of such a policy change. These effects would include establishing a universal service fund and rebalancing end user local service rates. Further, that portion of the FCC's pricing rules requiring geographic deaveraging has been vacated by the Eighth Circuit.

CHECKLIST ITEM 5: Local Transport

Q. PLEASE EXPLAIN BELLSOUTH'S PROPOSAL FOR LOCAL TRANSPORT.

A. Local transport is comprised of several offers. Common transport connects BellSouth switches, and the traffic of many carriers can be mixed on the same facilities. The costs for the common transport elements are the same as the transport component of interconnection. This can be seen on Exhibit AJV-1, D1 and D2. Common transport is charged on a usage basis, i.e., per minute. When used in conjunction with the directory assistance (DA) element, the rate is per message in order to be consistent with the DA charge per message.

Dedicated transport is used only for the traffic of the CLEC ordering it and will